



Sprott Global Real Estate Fund

December 2017 Commentary

In 2017, the Sprott Global Real Estate Fund generated a total return of 14.3% compared to the FTSE EPRA/NAREIT Developed Index, which generated a total return of 4.0%.

Returns in the month of December were disappointing on an absolute basis but decent on a relative basis, with the Fund generating a total return of -1.4% while the benchmark generated a total return of -1.2%. Canadian dollar strength in the final week of the year was the primary driver of weakness over the course of the month.

Through the end of calendar 2017, our USD exposure was unhedged, in line with our benchmark. Our modelling continues to indicate that the Canadian dollar is likely to weaken in 2018. However, recent oil price strength and rising expectations for interest rate hikes from the Bank of Canada has led to Canadian dollar strength. We are looking to add USD/CAD hedges early in 2018, perhaps as rhetoric surrounding NAFTA negotiations heats up, in order to reduce currency-related volatility in the Fund.

Top contributors to the 2017 performance of the Sprott Global Real Estate Fund included Aroundtown SA (+228 bps), Immobiliare Grande Distribuzione (+164 bps) and Interxion Holdings (+103 bps). Top detractors in 2017 included GGP (-42 bps), Nextdc (-36 bps) and Simon Property Group (-26 bps). Note that we eliminated our positions in both Nextdc and Simon Property Group earlier in the year, after a relatively brief holding period. GGP is currently the subject of a takeover offer by Brookfield Property Partners and we expect an enhanced bid sometime in early 2018.

We had recently initiated a position in Pure Industrial REIT (AAR-u CN), which was focused primarily on industrial properties in Canada (approximately 75% of adjusted NOI by location) and a few select US markets (approximately 25% of adjusted NOI by location). With an emphasis on distribution and logistics-related warehouses (approximately 70% of NOI by property use), the investment was a clear way to benefit from the growing importance of ecommerce in the current retail environment.

Trading at a 4% premium to net asset value (in line with the historical average), a forward P/FFO multiple of 16.8x and a dividend yield of 4.6%, Pure Industrial REIT's valuation was reasonably attractive based on our work. This was confirmed on January 9, 2018 when PIRET announced an agreement with an affiliate of Blackstone Property Partners, pursuant to which Blackstone will acquire all of the outstanding trust units for \$8.10 per unit in cash in a \$3.8 billion transaction (about a 20% premium to the prior day's close and a 27% premium to the consensus net asset value). Given the friendly nature of the transaction, we expect the deal to close successfully in the second quarter of 2018.

The Sprott Global Real Estate Fund was concentrated in 27 positions as at December 31, 2017 with the top 10 holdings accounting for approximately 44.5% of the fund. Over the past year, 14 out of our 27 holdings have announced a dividend increase, with an average hike of 15.3%. Using a total

Investment Team



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real estate approach, we will continue to apply a disciplined investment process, balancing valuation, growth and yield in an effort to generate solid risk-adjusted returns.

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¹All returns and fund details are a) based on Series F units; b) net of fees; c) annualized if period is greater than one year; d) as at December 29, 2017; e) 2015 annual returns are from 08/04/15 to 12/31/15.

The Fund is generally exposed to the following risks. See the Simplified Prospectus of the Fund for a description of these risks: capital depletion risk, concentration risk, credit risk, currency risk, cybersecurity risk; derivatives risk, emerging markets risk, equity real estate investment trust (REIT) risk, exchange traded funds risk, foreign investment risk, income trust risk, inflation risk, interest rate risk, liquidity risk, market risk, real estate risk, regulatory risk, series risk, short selling risk, specific issuer risk, tax risk.

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